

SECTION 2 - TAX

1 ESTABLISHING COVERAGE

As an employer of one or more individuals in Wisconsin, you are required to maintain employment records that will permit an accurate determination of your Unemployment Insurance (UI) tax liability. If requested, you must submit reports to establish if you are a covered employer and/or your contribution liability.

You are required to pay UI contributions on your payroll after you've met the statutory coverage liability. Not all employers are "covered" employers. Those that do not meet the coverage requirements or maintain only excluded employment are not subject to the UI law.

A. Determining Coverage Liability

As an employer, you become "covered" and incur tax liability if you meet any one of the following conditions:

1. Conditions Exclusive to Commercial Employers:

- You paid wages of \$1,500 or more in a quarter in any calendar year or;
- You employed one or more individuals in employment for some part of a day in 20 or more weeks in any calendar year. The weeks need not be consecutive and part-time employees must be included in the employee count.

2. Conditions Exclusive to Agricultural Employers:

- You paid cash wages for agricultural labor of \$20,000 or more in a quarter in any calendar year or;
- You employed ten or more individuals in agricultural labor for some part of a day in 20 or more weeks of any calendar year.

3. Conditions Exclusive to Domestic Employers:

- You paid cash wages of \$1,000 or more in a quarter for domestic service in any calendar year.

4. Conditions Exclusive to Nonprofit Employers:

You are a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and you employed four or more individuals on a day in 20 or more weeks in any calendar year.

- Other nonprofit organizations (i.e., non 501(c)(3)) fall under the commercial employer's conditions for liability (see #A1 above).

5. Conditions Exclusive to Government Employers:

- Government employers have mandatory coverage.

6. General Conditions Under Which ANY Employer Will Be Liable for UI Taxes:

- You've paid any wages for Wisconsin employment and you have a liability for that year under the Federal Unemployment Tax Act (FUTA) or;
- You've taken over part or all of the business of an employer already covered under the law (see Part 6: "BUSINESS TRANSFERS AND TAKING OVER A UI ACCOUNT") or;
- You have no liability by law, but you voluntarily elected to become a covered employer (with the Department's approval).

B. How to Establish Compliance

If you think you meet the above conditions or you expect to in the near future, you can complete a new employer registration form and send it to the department electronically.

The web site is

<http://www.new-hires.com/wi/wiser/>.

It can be found on the DWD home page (<http://www.dwd.state.wi.us/default.htm>) under Unemployment Insurance, then Wisconsin Employer Registration.

or

Contact us by:

E-mail: taxnet@dwd.state.wi.us

or

If you prefer a paper form, contact us at:

Bureau of Tax & Accounting
Division of Unemployment Insurance
P.O. Box 7942
Madison, WI 53707

We will send you an employer's report and an account number to establish your account. You can also request the necessary forms by:

Telephone: (608) 261-6700

Fax: (608) 267-1400

Deaf, hearing or speech-impaired callers may reach us through Wisconsin Telecommunications Relay System (WI TRS). The informational web site for WI TRS is <http://www.hamilton.net/relay/wi/index.html>

C. UCT-1, Wisconsin Employer's Report Form

See Example 1.

The Employer's Report, Form UCT-1, is used to determine if an employer is subject to the unemployment insurance law. The Employer's Report should be completed by all employers who may have a liability to pay unemployment insurance taxes.

The form is used to obtain information such as the employer's trade and legal names, address, type of business and business location. The form will also ask for information regarding an employer's payroll through the date the form is being completed. Employers completing this form should pay particular attention to employment that is excluded from coverage under the law. Types of employment that are excluded are detailed on this form. Corporations should also include wages paid to the officers of the corporation.

2002 WISCONSIN EMPLOYER REPORT

EXAMPLE 1

Page 1

Please complete this report so we can determine if you must pay state Unemployment Insurance taxes. Return this report within **10 days** unless you receive different instructions. If you have **NO EMPLOYEES** only answer questions 1-13, and sign. Personal information you provide may be used for secondary purposes (Privacy Law, s. 15.04 (1)(m)).

Return to: Department of Workforce Development
Division of Unemployment Insurance
P.O. Box 7942
Madison, WI 53707-7942
Telephone (608) 261-6700
Fax: (608) 267-1400

UI ACCOUNT NUMBER

123456-000-1

▼ COMPLETE THIS AREA IF INFORMATION
AT LEFT IS INCORRECT OR INCOMPLETE. ▼

Legal Name

John Q. Employer

Trade Name (DBA)

Acme Widgets

Mailing Address (c/o if required for correct delivery)

Street or P.O. Box

1 Capitol St.

City

Anywhere

State

WI

Zip Code

55555-5555

1. Enter your Federal Employer Identification Number. <u>1 2 3 4 5 6 7 8 9</u>		2. Name/Telephone of Contact Person for Additional Information <u>John Q. Employer</u>	
3. Business Telephone Number (<u>000</u>) <u>000-0000</u>		4. Briefly describe your business activity <u>Manufacture of Widgets</u>	
5. Location of business if different than the address shown above			
6. Type of Ownership - CHECK ONE <input checked="" type="radio"/> Individual <input type="radio"/> Partnership <input type="radio"/> Limited Liability Partnership (LLP) <input type="radio"/> Limited Partnership <input type="radio"/> Limited Liability Co. (LLC) <input type="radio"/> Other (Estate, Trust, Receivership, Etc.) State of Incorporation: _____ Please specify: _____			
6a. Provide the name(s) and social security number(s) of sole owner, partners, or corporate officers:			
Name (Last, First, Middle Initial)	Social Security Number	Position/Title	% of Ownership
<u>Employer, John Q.</u>	<u>222-33-4444</u>	<u>Sole Owner</u>	<u>100%</u>
7. For Corporations Only:			
7a. Are you a non-profit organization as described in S501(c)(3) of the IRS Code? <input type="radio"/> YES <input type="radio"/> NO If yes, you must submit a copy of the IRS determination letter of your status.			
7b. Are you a Sub-Chapter S Corporation? <input type="radio"/> YES <input type="radio"/> NO If yes, all compensation received by the officers, including dividends and other disbursements, must be shown as wages on this form.			
7c. If your business is a corporation, have the officers been paid? <input type="radio"/> YES <input type="radio"/> NO			
8. Have you paid employees for work performed in Wisconsin? <input checked="" type="radio"/> YES <input type="radio"/> NO If yes, what is the date of first employment? <u>12/1/2001</u>			
9. Do you expect to pay wages in the future for work performed in Wisconsin? <input type="radio"/> YES <input type="radio"/> NO If yes, estimate the date: _____			
10. Do you continue to have paid employees working in Wisconsin? <input checked="" type="radio"/> YES <input type="radio"/> NO If no, date you last had employees: _____			
11. If you have or had any individuals performing services for you in Wisconsin who you consider to be independent contractors or subcontractors and not your employees, attach a sheet of paper listing their name, business name, address, telephone, type of business activity and FEIN/SS number.			
12. Did you acquire any portion of an already established business? <input type="radio"/> YES <input checked="" type="radio"/> NO If yes, enter date of acquisition: _____			
Name of Prior Owner (corporate name if a corporation)		Trade Name	
Prior Owner's Current Street Address		City	
		State	
		Zip Code	
13. Did you transfer your business? <input type="radio"/> YES <input checked="" type="radio"/> NO		If yes, enter Date of Transfer	
Street Address of New Owner		City	
		State	
		Zip Code	
14. Do you have employees working for you outside Wisconsin? <u>No</u>			
15. Did you or will you have a federal unemployment tax liability on your payroll in any state in the following years?			
2000 <input type="radio"/> YES <input checked="" type="radio"/> NO		2001 <input type="radio"/> YES <input checked="" type="radio"/> NO	
		2002 <input checked="" type="radio"/> YES <input type="radio"/> NO	

2002 WISCONSIN EMPLOYER REPORT **EXAMPLE 1 - CONTINUED** Page 2

16. You do not have to pay UI taxes on certain persons. The most common categories are listed below. A more complete list is found under **PERMITTED EXCLUSIONS** on page 4.

16a. If you have any employees in any of the categories below check all that apply.

- | | |
|--|---|
| <input type="checkbox"/> Partners in a general partnership. | <input type="checkbox"/> Insurance or real estate sales people paid by commission only. |
| <input type="checkbox"/> Unpaid corporate officers. | <input type="checkbox"/> Members of a Limited Liability Company (LLC). |
| <input type="checkbox"/> Agricultural labor on employer's farm.
(Note: Ag. exclusion on page 4) | <input type="checkbox"/> Salesperson paid by commission only for sales made in the consumer's home.
(You may not exclude commissions paid for sales to businesses) |

☐ Other: Indicate appropriate alphabetical letter as shown on page 4 under the heading **PERMITTED EXCLUSIONS**.

16b. If your business is a **sole proprietorship**, check if any of the following received wages from you.

- | | |
|---|--|
| <input type="radio"/> Father | <input checked="" type="radio"/> Child under 18 - birthdate: <u>5/1/86</u> |
| <input type="radio"/> Mother | <input type="radio"/> Child under 18 - birthdate: _____ |
| <input checked="" type="radio"/> Spouse | <input type="radio"/> Child under 18 - birthdate: _____ |

17. In how many weeks of 2002 have you had employees either full or part-time? **DO NOT INCLUDE ANY PERSON FROM THE ABOVE PERMITTED EXCLUSIONS.** Please count the weeks in which your employees actually worked, not the weeks in which they were paid. A week is considered to be from Sunday through Saturday.

- A. Enter the exact number of weeks through the date you are filling out this form. 12
- B. If you have had 20 weeks, enter the week-ending date of the 20th week. _____
- C. Enter the number of employees. 1

18. Did you have 20 weeks in 2000 or 2001 in which at least one employee worked full or part-time? **DO NOT INCLUDE ANY PERSON FROM THE ABOVE PERMITTED EXCLUSIONS.** Count the exact number of weeks that your employee worked, not when they were paid.

- 2000 ☐ YES ☒ NO If yes, week ending date of the 20th week: _____
- 2001 ☐ YES ☒ NO If yes, week ending date of the 20th week: _____

19. Enter your gross quarterly payrolls below. Include all wages paid through the date that you complete this report. Do not estimate the amount of wages you expect to pay in the future. Show wages paid only for work performed solely or primarily in Wisconsin. **DO NOT ENTER THE WAGES OF WISCONSIN RESIDENTS WHO WORK ENTIRELY OUTSIDE OF WISCONSIN. DO NOT INCLUDE WAGES PAID TO PERSONS FROM THE ABOVE PERMITTED EXCLUSIONS.**

	1st QTR. JAN.-MARCH	2nd QTR. APRIL-JUNE	3rd QTR. JULY-SEPT.	4th QTR. OCT.-DEC.
2000				
2001				<u>\$1,000.00</u>
2002	<u>\$4,000.00</u>			

20. Name and address of financial institution through which you will maintain your business checking account.

Name Street Address City/State Checking Account Number

Cheesemaker Bank 1 Cheese St. Anywhere, WI 55555-5555 999000999000

Your signature indicates this report is true and complete to the best of your knowledge.

Signature <u>John Q. Public</u>	Position <u>Owner</u>
Please print name of above signature: <u>John Q. Public</u>	Date Signed <u>4/1/2002</u>

CONTINUED ON NEXT PAGE →

LABOR MARKET INFORMATION - LMI

Return to: Department of Workforce Development
Division of Unemployment Insurance
P.O. Box 7942
Madison, WI 53707-7942

UI ACCOUNT NUMBER

123456-000-1

For questions on this page, call (608) 266-1044

▼ COMPLETE THIS AREA IF INFORMATION
AT LEFT IS INCORRECT OR INCOMPLETE. ▼

Legal Name

John Q. Employer

Trade Name (DBA)

Acme Widgets

Mailing Address (c/o if required for correct delivery)

Street or P.O. Box

1 Capitol St.

City

Anywhere

State

WI

Zip Code

55555-5555

1. Do you currently have another business activity covered under the Wisconsin Unemployment Insurance (UI) Law?

☐ YES ☒ NO If "YES," business name:

UI Account No.:

2. Name/Title of Contact Person for Additional Information

John Q. Employer

Telephone Number

(000) 000-0000

Business Telephone if Different

()

3. Briefly Describe Your Business Activity

CHECK ONE:	GENERAL INDUSTRIES:	TRUCKING:	SPECIAL TRADES:	CONSTRUCTION:
<input type="checkbox"/>	Agriculture	<input type="checkbox"/>	Trucking Except Local	<input type="checkbox"/>
<input type="checkbox"/>	Communications	<input type="checkbox"/>	Local Trucking Without Storage	<input type="checkbox"/>
<input type="checkbox"/>	Finance	<input type="checkbox"/>	Local Trucking With Storage	<input type="checkbox"/>
<input type="checkbox"/>	Fishing	<input type="checkbox"/>	Courier Service, Except by Air	<input type="checkbox"/>
<input type="checkbox"/>	Forestry	<input type="checkbox"/>	Masonry	<input type="checkbox"/>
<input type="checkbox"/>	Insurance	<input type="checkbox"/>	Painting	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Manufacturing	<input type="checkbox"/>	Plumbing	<input type="checkbox"/>
			Other (specify):	<input type="checkbox"/>

Is the establishment primarily engaged in performing services for other units of the company? ☐ YES ☒ NO If "YES" indicate nature of activity:☐ Central Administrative Office ☐ Research, Development, or Testing ☐ Storage (warehouse) ☐ Other (specify) _____**COMPLETE - PART I - PROVIDE PHYSICAL LOCATION**Enter your **PHYSICAL LOCATION** for each **WISCONSIN** establishment(s). Attach additional sheets if more space is needed. (If activities vary for the separate establishments, please provide product or activity information for these units on a separate sheet.)

Street Address (please, no Route # or P.O. Box)	Township	Village	City	County	Zip Code	# Employees
1 Capitol St.			Anywhere	Anywhere	55555	1

COMPLETE - PART II - PRODUCT OR ACTIVITY REPORT

1. Principal Products or Activities During Most Recent Calendar Year (list items separately)	Percent of Total Sales During this Period	Principal Materials Used (for each product listed)	Was material used produced in this establishment?	
			YES	NO
A. MANUFACTURING (specify below)				
Widgets	100%			
B. NONMANUFACTURING (specify below)		Comments:		

MEMORANDUM ON EMPLOYER LIABILITY **EXAMPLE 1** Page 4

I. ARE YOU AN EMPLOYER LIABLE UNDER THE WISCONSIN UNEMPLOYMENT INSURANCE ACT?

CONTINUED

A. An employer is required to comply with the payroll tax provisions of the Wisconsin UI Law on all coverable Wisconsin payroll:

1. Retroactive to January 1 of a calendar year if the employer:
 - (a) Paid or incurred a liability to pay wages for employment in Wisconsin which totaled \$1,500 or more during any calendar quarter in either that year or the preceding year, or
 - (b) Employed one individual (full or part-time and not necessarily the same person) in each of 20 or more calendar weeks in Wisconsin either that year or the preceding calendar year; or
2. Retroactive to the first Wisconsin payroll of a calendar year, if the employer is subject to the Federal Unemployment Tax on its total payroll in all states; or
3. Effective as of the date an employer acquires all or some portion of a business already covered by the statute. Not all business transfers result in a mandatory successorship. The statutes require that both the transferor (seller) and transferee (buyer) give notice of any business transfer within 30 days of the transfer date. Appropriate information and forms will be provided after notice is received.

II. PART-TIME WORKERS, PAID CORPORATE OFFICERS, AND COMMISSION PAID SALES PERSONS ARE EMPLOYEES

"Wages" means any form of remuneration for a given period. It is immaterial whether wages are paid on any hourly basis, fixed salary per payroll period, on a commission basis, piecework or job arrangement, or by payment in kind (board, room or merchandise). An employer operating more than one business under the same legal ownership must combine payrolls and employment for purposes of determining employer liability and reporting tax liability under this statute.

III. 2002 INITIAL TAX RATES

The tax rate for new employers engaged in business in the construction industry in 2002 is 3.75%. The rate for other new employers is 3.05%. Taxes are assessed on the first \$10,500 in wages paid each employee within a calendar year.

Tax due dates for new employers vary according to the date liability is incurred. The latest due date for 2002 taxes is January 31, 2003. If you do not have appropriate forms to establish compliance by January 31, 2003, be certain to send your check in payment of taxes by that date. Penalties may then be avoided for at least the fourth quarter, and possibly for other quarters, depending on the date liability was incurred. Forms for processing your tax payment will then be sent.

IV. INDEPENDENT CONTRACTORS

Under Section 108.02(12) of the Wisconsin Unemployment Insurance Law an independent contractor is someone who meets 7 of the following 10 criteria:

- A. The individual holds or has applied for an identification number with the federal Internal Revenue Service.
- B. The individual has filed business or self-employment income tax returns with the federal Internal Revenue Service based on such services in the previous year or, in the case of a new business, in the year in which such services were first performed.
- C. The individual maintains a separate business with his or her own office, equipment, materials and other facilities.
- D. The individual operates under contracts to perform specific services for specific amounts of money and under which the individual controls the means and methods of performing such services.
- E. The individual incurs the main expenses related to the services that he or she performs under contract.
- F. The individual is responsible for the satisfactory completion of the services that he or she contracts to perform and is liable for a failure to satisfactorily complete the services.
- G. The individual receives compensation for services performed under a contract on a commission or per-job or competitive-bid basis and not on any other basis.
- H. The individual may realize a profit or suffer a loss under contracts to perform such services.
- I. The individual has recurring business liabilities or obligations.
- J. The success or failure of the individual's business depends on the relationship of business receipts to expenditures.

Note: These provisions do not apply to trucking or logging industry employers.

V. PERMITTED EXCLUSIONS

In determining employer liability, individuals employed in types of employment listed below are permitted as deductions (as excluded employment) from the count of employees. Wages paid to individuals in excluded employment should be deducted from quarterly payrolls.

- A. Agricultural labor - unless performed for an employer subject to this chapter (i.e., any employer who paid cash wages for agricultural labor which totaled \$20,000 in any calendar quarter of the current or preceding year or employed as many as 10 persons in agricultural labor for some portion of a day in 20 different weeks of the current or preceding year).
- B. Domestic service in the employer's private home - unless performed for an individual subject to this chapter on domestic employment (i.e., any employer of any individual in domestic service who paid cash wages of \$1,000 or more in any calendar quarter of either the current or preceding calendar year).
- C. Persons (under the age of 18) selling or distributing newspapers or magazines on the street or from house to house.
- D. Individuals covered by the Railroad Unemployment Insurance Act.
- E. Crews of commercial fishing vessels of 10 net tons or less.
- F. Insurance or real estate salespeople paid by commissions only.
- G. Unpaid officers of a corporation or association.
- H. Individuals employed entirely outside of Wisconsin. (Some minor exceptions.)
- I. Any person earning less than \$50 in a calendar quarter in the employ of an organization exempt from federal income tax under S.501(a) of the Internal Revenue Code.
- J. A sole proprietor's father, mother, spouse, or any of his/her children under the age of 18.
- K. Service performed by a full-time student as a formal and accredited part of a work-study program certified to the employer by the school.
- L. Individuals paid solely by commissions, overrides, bonuses or differentials derived from in-person sales primarily in the consumer's home.

D. Time Limit on Liability

Historically, this department has placed a limit on the retroactive period used to establish an employer's status and contribution liability. In line with this policy, only the current year and the two preceding calendar years are used if no evidence of fraud or abuse exists.

E. Reimbursement Financing

Governmental units, certain nonprofit organizations, and Indian Tribes can choose between the tax and reimbursement methods of financing unemployment benefit costs. (Only nonprofit organizations with a ruling of an IRS Code 501(c)(3) status can elect reimbursement financing.) Tax financing employers pay a quarterly unemployment tax on the wages paid to their employees. Reimbursement financing employers do not pay a quarterly tax, although they must still file the quarterly tax and wage reports. Instead, they reimburse the department for 100% of the unemployment benefits charged to their account. Billing notices, that show all benefits charged to the employer's account, are sent on a monthly basis to employers electing reimbursement financing.

Accounts for nonprofit organizations are normally set up on the tax financing method but reimbursement financing can be elected. Accounts for governmental units are initially set up on the reimbursement financing method but tax financing can be elected.

Indian tribes are normally set up on the tax financing method but as of 1/1/2002 they can now elect reimbursement financing as of the beginning of any calendar year. The Indian tribes electing reimbursement financing are required to file an assurance of reimbursement.

Nonprofit employers electing reimbursement financing must file an assurance of reimbursement with the department. The assurance can be in the form of a surety bond, letter of credit,

certificate of deposit, or any other nonnegotiable instrument of fixed value.

The employer's original assurance has to cover the 5-year period starting from the beginning of the year in which the employer's reimbursement financing election takes effect. The amount of the assurance must be at least equal to 4% of the employer's taxable wages for the past calendar year. The adequacy of the assurance amount is redetermined every other year. If the employer ceases business or converts to tax financing, the assurance must remain in effect for up to 2 1/2 years to cover the period of benefit claim liability. At the end of this period, the assurance is returned to the employer.

When a governmental unit, nonprofit organization, or Indian Tribe chooses to convert to reimbursement financing, the positive or negative balance in their tax account remains in the Unemployment Reserve Fund and is transferred to the Fund's balancing account.

A government unit, nonprofit organization, or Indian Tribe interested in obtaining further information about reimbursement financing should contact us at:

E-mail: taxnet@dwd.state.wi.us

Internet:
<http://www.dwd.state.wi.us/uitax/default.htm>

or

Bureau of Tax & Accounting
Division of Unemployment Insurance
P.O. Box 7942
Madison, WI 53707

or

Telephone: (608) 261-6700
FAX: (608) 267-1400

Deaf, hearing or speech-impaired callers may reach us through WI TRS.